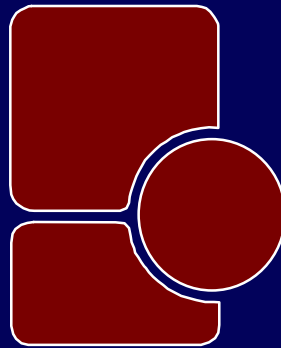


**Joint Legislative Audit and Review Commission  
of the Virginia General Assembly**



**Review of Spending  
in State Government**

**Staff Briefing  
June 11, 2001**

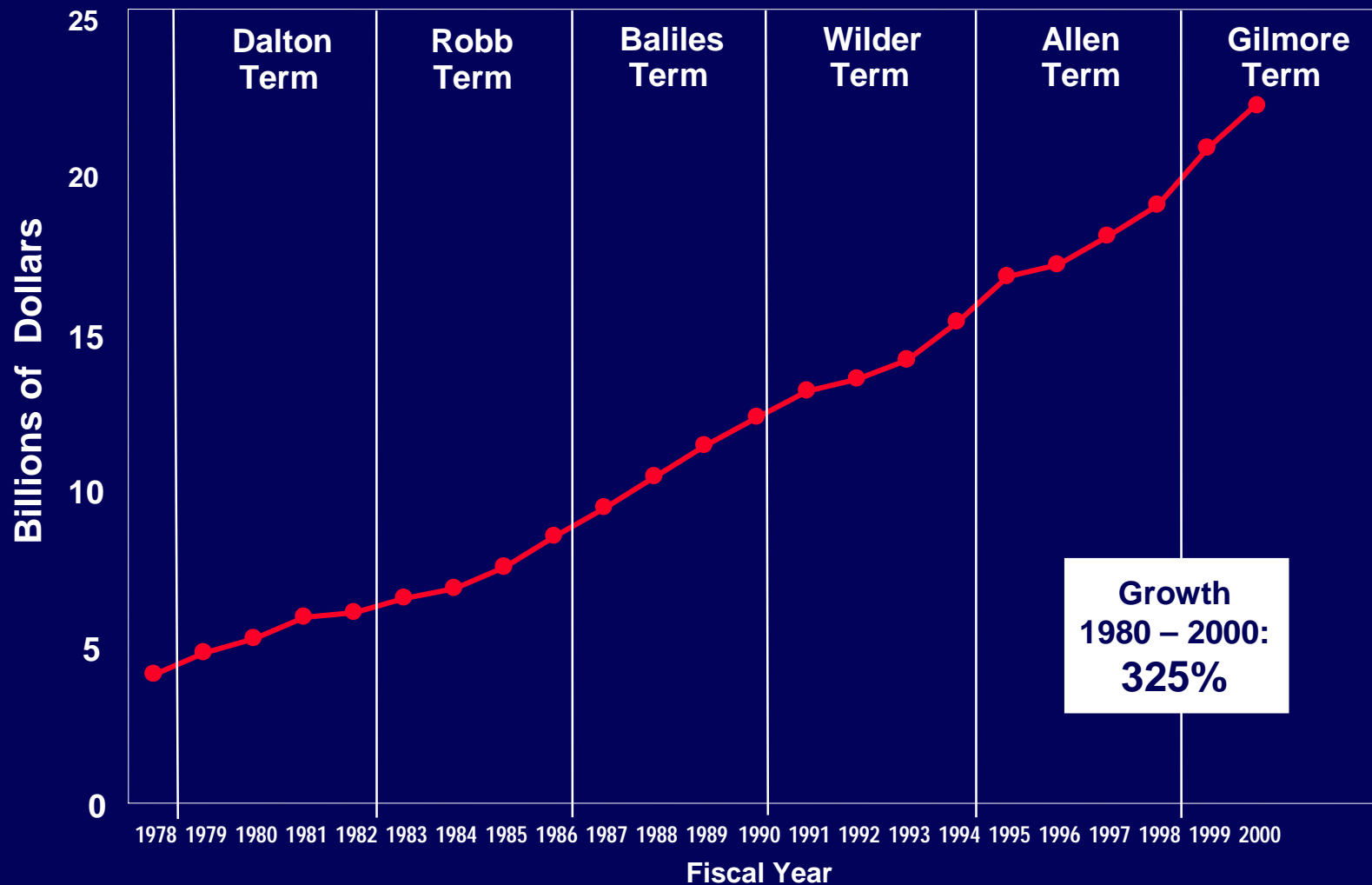
# Study Mandate

2

- **HJR 773 and HB 2865 (both from 2001) direct JLARC to review State spending and identify:**
  - The largest and fastest growing programs,
  - The causes of expenditure growth,
  - Programs that may be indistinct or inefficient, and
  - Programs that could be consolidated.
  
- **HJR 733 also calls for:**
  - An assessment of the use of performance budgeting and measurement in legislative budgeting, and
  - An analysis of the use of State funds by private organizations.

# Total Virginia Expenditures (All Funds)

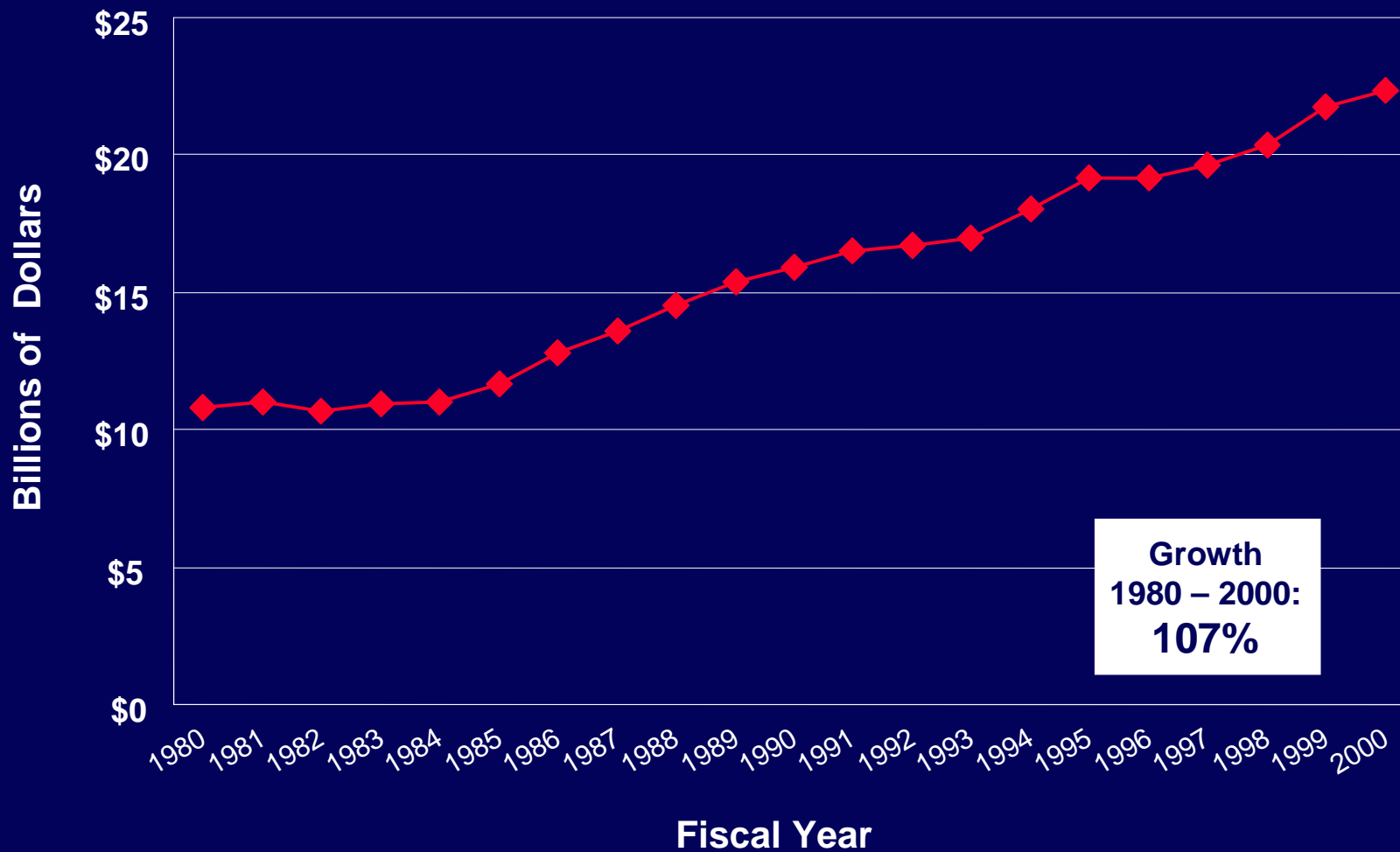
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# Inflation-Adjusted Expenditures

(In 2000 dollars)

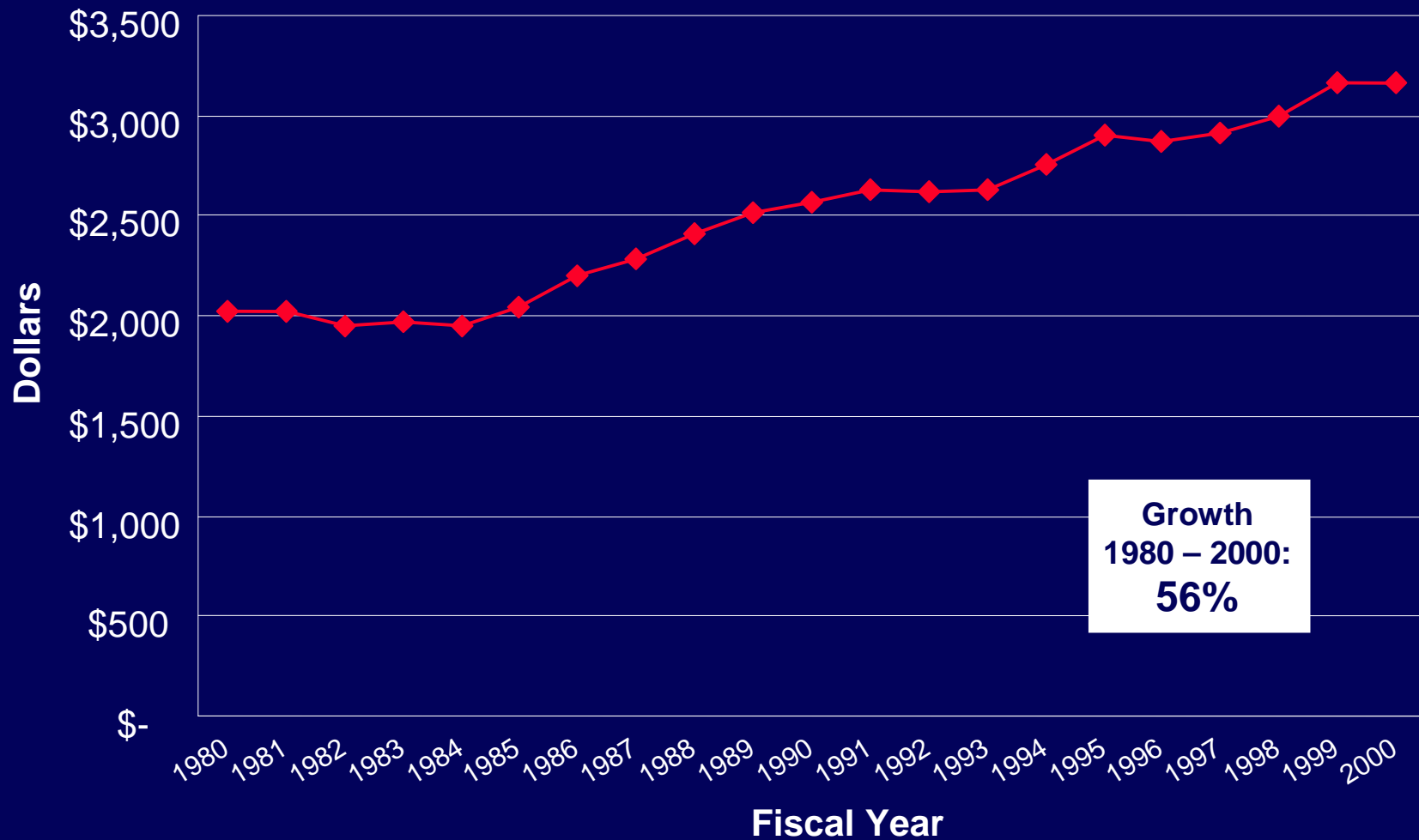
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# Inflation-Adjusted Expenditures Per Capita

(In 2000 dollars)

5



# Recent Tax Policy Changes

6

- Since 1993 there have been 52 tax policy changes
  - Personal property tax relief program
  - Reduction in sales tax rate on food
  - Changes to personal & corporate income tax including:
    - 12 subtractions, 3 deductions, and 29 tax credits
  - 5 sales tax exemptions, double-weighting of sales tax in corporate apportionments
  - Over 100 sales tax exemptions for various nonprofit organizations

# Impact of Tax Relief & Set-asides

FY 2001, \$ in millions

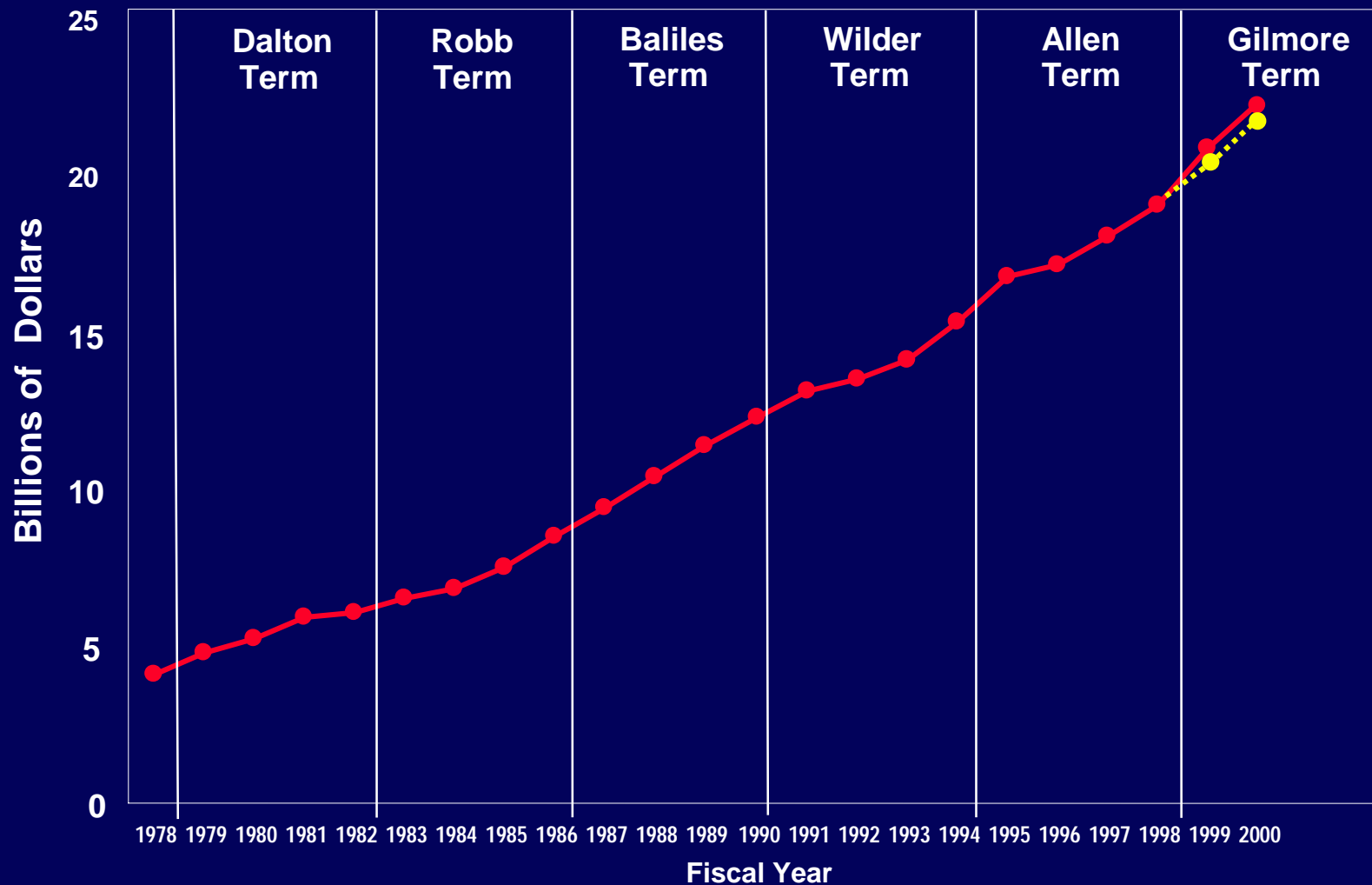
7

Car Tax	\$572
Revenue Stabilization Fund	<u>\$103</u>
Total	\$675
As percent of General Fund estimate	6.1%
Additional Tax Relief Measures	\$157 -- \$484

Sources: Chapter 1073; Sec. of Finance's presentation to Joint Money Committees, 12/20/00; Senate Finance Committee staff summary, 3/01.

# Impact of Car Tax Relief & Revenue Stabilization Fund (All Funds)

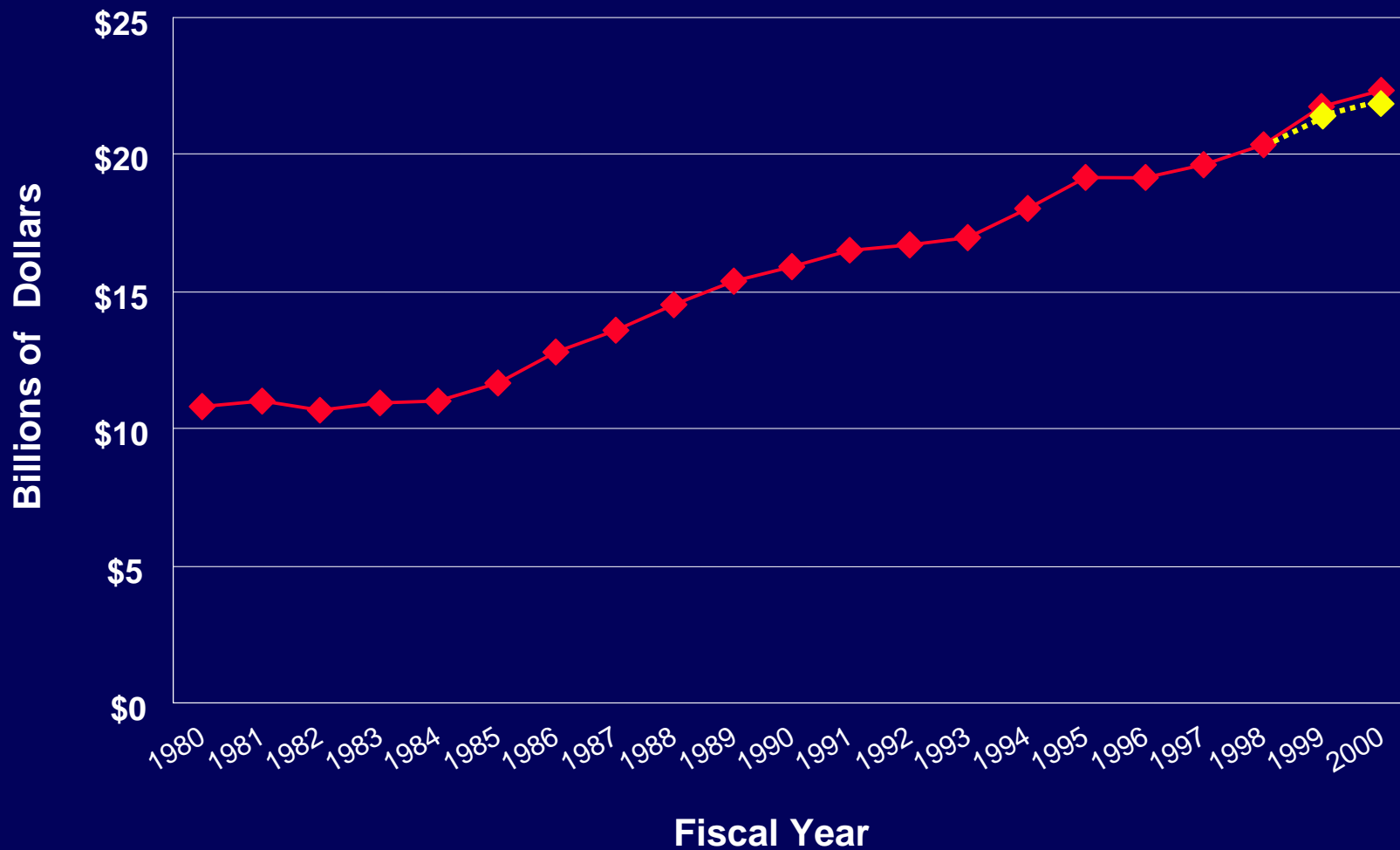
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# Impact of Car Tax Relief & Revenue Stabilization Fund on Inflation-Adjusted Expenditures (In 2000 dollars)

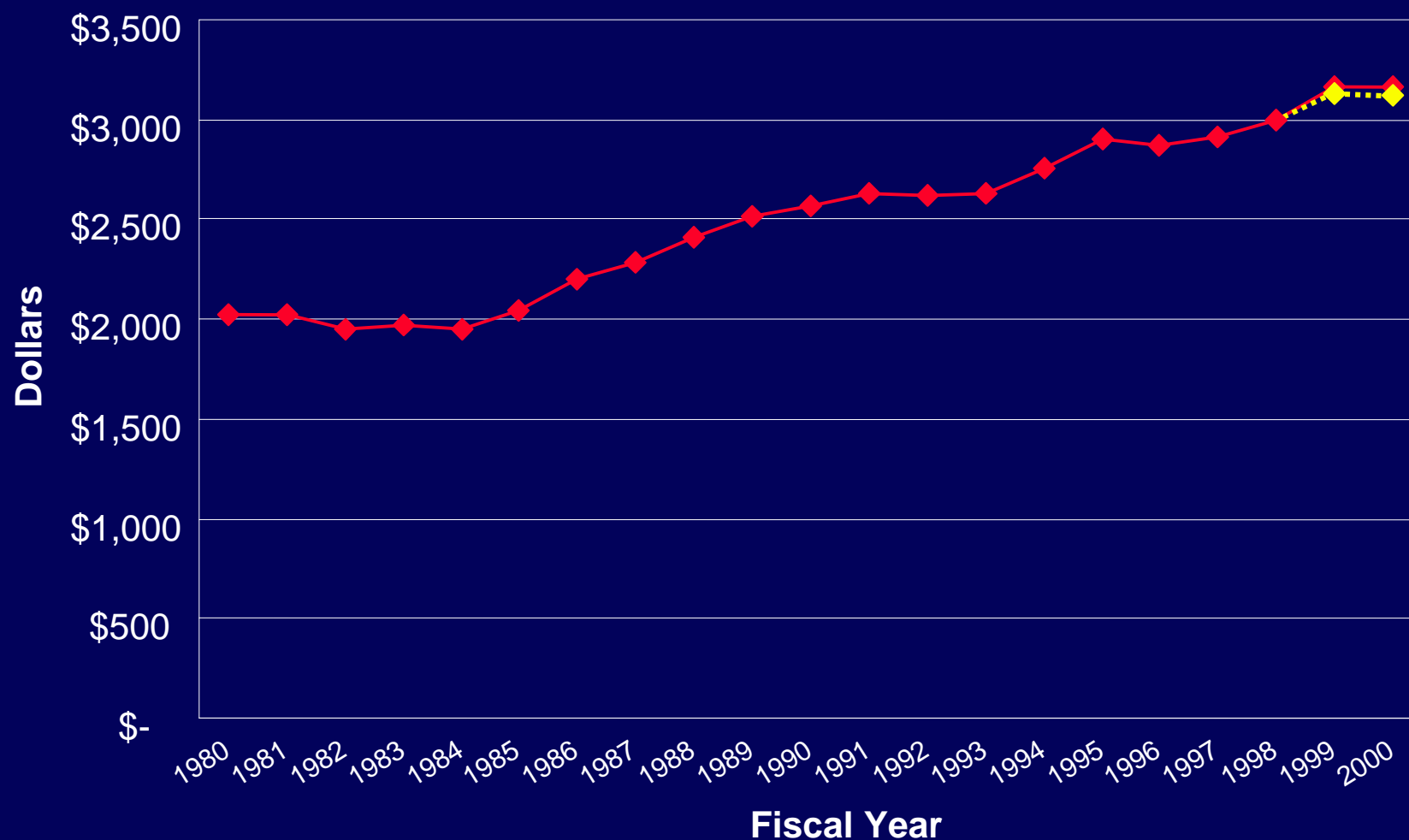
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(All Funds)

# Impact of Car Tax Relief & Revenue Stabilization Fund on Inflation-Adjusted Expenditures Per Capita (In 2000 dollars)

10



# 2001 Study Methods

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- **Study will focus on largest agencies and programs**
  - This approach includes General & Non-General Funded programs
  - Treats each college & university as a separate agency
  - Treats large central account items as separate programs (compensation supplements, capital outlay, personal property tax relief)
  - Top 10 programs account for 61% of budget (all funds)
- **Methods include case studies, interviews, data collection to identify trends and factors**

# 10 Largest Appropriations

FY 2000

\$ in millions, all funds

12

1.	Dept. of Education	\$4,247
2.	Dept. of Medical Assistance Services	\$2,863
3.	VDOT	\$2,401
4.	Dept. of Social Services	\$1,122
5.	U. of Virginia (inc. Med Center & C. of Wise)	\$1,083
6.	Dept. of Corrections	\$ 719
7.	DMHMRSAS	\$ 713
8.	Virginia Tech. (inc. Extension)	\$ 592
9.	VCU (excludes MCV)	\$ 501
10.	Compensation Board	\$ 457

# Guidance Needed

13

- While the review focuses on growth and specific programs, the team also recommends expanding the scope to include the budget review and development process
  - How does the current budget process control growth or tend to build in growth?
  - To what extent are agency base budgets examined?
  - To what extent should we assess the role of revenue forecasting in the budget process?
  - Should staff examine spending trends in any agencies other than the Top 10?

# Previous Efficiency / Consolidation Reviews

14

- 1984: Critical Re-evaluation of State Government eliminated or simplified 51% of State agency regulations, and re-aligned or abolished 30 agencies and programs
- 1987: Commission on Efficiency in Government reduced paperwork burden on citizens by 28%
- 1990: Project Streamline identified savings of \$247 million and 4,400 staff positions / biennium by consolidating, eliminating, reorganizing numerous agencies
- 1994: Blue Ribbon Strike Force led to evaluating proposed regulations for economic impact
- Prior JLARC studies have assessed the Secretarial system, governmental structure, organization and management of numerous agencies, and reviewed State / local mandates and funding issues

# Consolidation Possibilities

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## ■ The project team will:

- Review prior studies and recap major findings
- Identify legislative trends in creating, abolishing, transferring programs
- Survey 30 largest agencies for “mission creep,” performance problems, possible overlap
- Develop case studies. Mentioned at May meeting:
  - Job training programs
  - Economic development programs
  - Drug abuse programs
  - Programs for “at risk” youth

# Guidance Needed

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- Are there specific programs or agencies beyond the Top 10 that the team should start the review with?
- Are there some programs or agencies that we should defer?
- What should we accept as adequately indicating an agency's efficient performance? Of a "distinct" or "indistinct" mission?



# Performance Measures

17

- **DPB has developed a comprehensive system of performance measures**
- **Are budget recommendations influenced by performance measures and program evaluations?**
  - Interview DPB and money committee staff
  - Review selected agency budget requests to identify how this info is used in the budget process
  - Track sample of evaluations
- **Are performance trends reported and acted on?**

# Guidance Needed

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- To what extent do legislators want to provide input or participate in the development of agency-by-agency performance measures?
- Do JLARC members want more information on specific performance trends and measures?

# Appropriations for Non-State Agencies

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# Guidance on Non-State Agencies

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20

- Do JLARC members want staff to report on any specific non-state agencies?
- Staff recommends deferring topic until 2002

# Upcoming Reports

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## ■ September 2001 report

- Sources of budget growth
- Identify fastest-growing programs

## ■ October 2001 report

- Profile budget history of 10 largest programs